

HOUSING MARKET OUTLOOK

Regina CMA



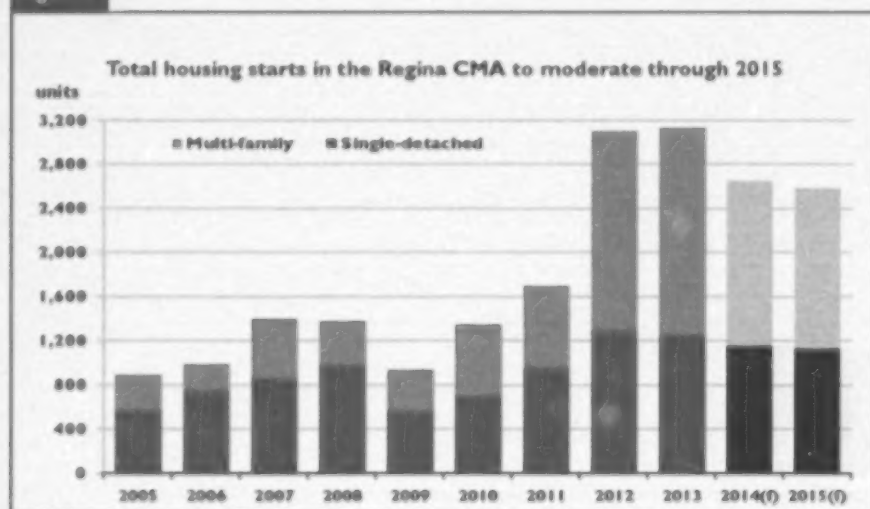
CANADA MORTGAGE AND HOUSING CORPORATION

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Highlights¹

- Rising inventory will prompt a slower pace of housing starts in 2014 and 2015
- Existing home sales will edge higher this year and next, while price growth moderates
- Higher rental construction will add to supply, lifting vacancies this year and next
- Net migration to moderate but remain elevated through 2015

Figure 1



Source: CMHC, CMHC Forecast (f)

¹ The outlook is subject to uncertainty. Although point forecasts are presented in this publication, CMHC also presents forecast ranges and risks where appropriate. The forecasts and historical data included in this document reflect information available as of April 30, 2014.

² Multiple Listing Service® (MLS®) is a registered trademark owned by the Canadian Real Estate Association.

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New Ownership Market: Rising Inventory Will Constrain Starts Through 2015

After rising slightly to 3,122 units last year, total housing starts in the Regina Census Metropolitan Area (CMA) are forecast to moderate to 2,650 units in 2014 and 2,580 units in 2015. Rising inventory, lower net migration, and increasing competition from Regina's resale market will prompt local builders to slow the pace of initiating new projects this year and next. The reduction will be most pronounced among multi-family units where production reached a record high in 2013. Nonetheless, overall housing starts over the forecast period will be among the highest in more than 30 years, supported by continued employment growth, population gains, and low mortgage rates.

Single-detached starts are projected to reach 1,150 units in 2014, down 7.7 per cent from the 1,246 units initiated last year. Rising new home inventory and increasing supply in the resale market will dissuade local builders from introducing new units too quickly in 2014. Barring a significant inventory drawdown, a further reduction to 1,130 units is forecast for 2015. Despite the moderation, single-detached starts over the forecast period will remain above their five-year average of 954 units.

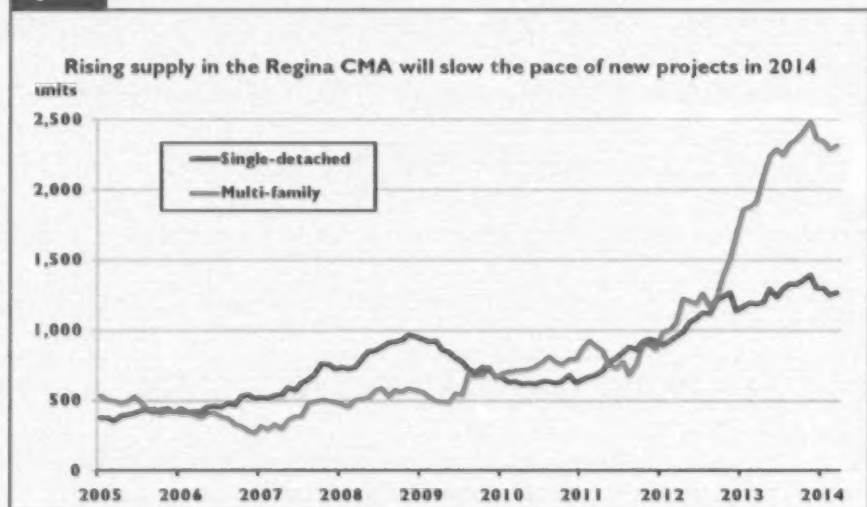
From January to March of 2014, 165 single-detached homes were started, 29 per cent fewer than in the corresponding period of 2013. A continued reduction will eventually draw down the volume of units under construction, which at 1,169 in March were six per cent higher than the

previous year. The reduction in starts will also draw down single-detached inventory. At 98 units in March 2014, the inventory of complete and unabsorbed single-detached homes was 21 per cent higher than in the same month last year. Given that more than 42 per cent of this inventory consists of spec homes, this raises the risk of additional gains moving forward, which will be a constraining factor to single-detached starts in 2014.

With fewer single-detached starts forecast this year and subsequent reduction in the number of units under construction, pressure on contractor selling prices is expected to remain subdued. To this end, Statistics Canada's New House Price Index (NHPI) is expected to rise 2.7 per cent this year and 2.2 per cent next year. Correspondingly, Regina's average new home price is projected to increase to \$500,000 in 2014 and to \$508,000 in 2015. This will represent a less than two per cent gain in each year.

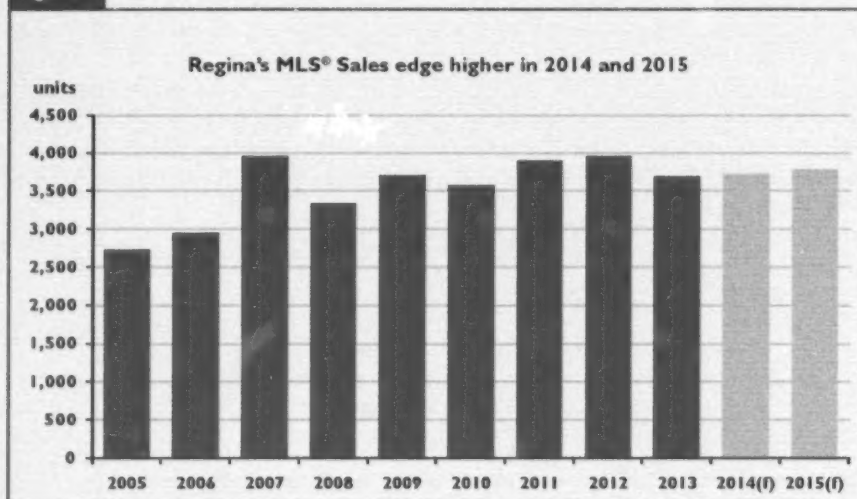
After reaching a record high of 1,876 units in 2013, multi-family starts, which consist of semi-detached units, rows, and apartments, are forecast to moderate 20 per cent to 1,500 units in 2014 and 1,450 units in 2015. Rising inventory, higher rental vacancies, and a reduction in net migration to Regina will prompt a slower pace of multi-family starts this year. To the end of March 2014, local builders initiated 206 multi-family units, down 43 per cent from the same period one year prior. While the number of units under construction declined slightly during the quarter, it was still 19 per cent higher than in March 2013. With absorptions in the ownership market continuing to lag completions in the first quarter of 2014, the inventory of complete and unabsorbed multi-family units stood at 94 units in March, more than double the 45 units in the same month a year earlier. Moving forward, this will prompt local builders to scale back the number of new developments in this sector.

Figure 2



Source: CMHC

Figure 3



Source: CREA, CMHC Forecast (f)

Resale market: MLS® Sales to Edge Higher in 2014 and 2015

After declining 6.6 per cent in 2013 to 3,692 units, sales of existing homes in Regina are forecast to increase slightly to 3,730 transactions in 2014, supported by continued employment growth, low mortgage rates, and population gains. While sales on a year-over-year basis were down 2.8 per cent in the first quarter of 2014, this was partly due to prolonged frigid temperatures this past winter that delayed some home purchases. Moving forward, we expect sales to gain more traction leading into next year where a slightly higher level of 3,780 MLS® transactions is projected. In 2015, resale demand will be buoyed by continued job growth and move-up buying.

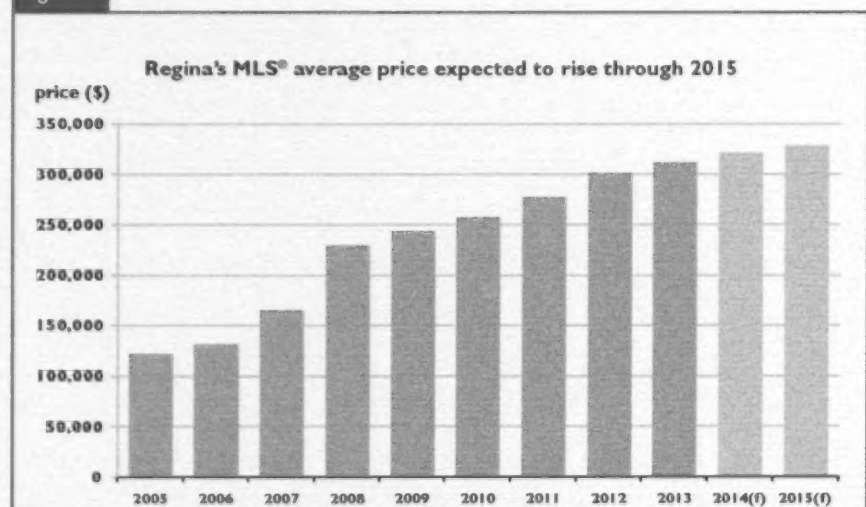
So far this year, resale market conditions have weakened as supply has increased faster than demand in most areas of the Regina CMA. Discussions with industry indicate that strong resale price growth over

the past several years has motivated some owners with equity gains to list their homes. Additionally, some local builders have been listing newly constructed homes on the MLS®. These factors contributed to a 27 per cent year-over-year increase in average active listings to 1,540 units during the first quarter of 2014. Moving forward, we expect active listings to remain

elevated. On a seasonally-adjusted basis, the trend in active listings increased in the first quarter of 2014 from the previous quarter, hitting a new high. With supply on the rise, average days on market rose to 47 in the quarter, up from 38 in the same period of 2013. As well, the sales-to-active listings ratio declined to 16 per cent in March from 22 per cent in March 2013.

Under these conditions, the average MLS® price for Regina is forecast to rise modestly, reaching \$321,500 in 2014 and \$328,500 in 2015. So far this year, upward pressure on Regina's average resale price has been supported by higher priced properties in the sales composition. During the first quarter of 2014, the share of homes selling above \$400,000 rose to 21 per cent of total sales from 18 per cent in the same period one year prior. Moving forward, increasing supply relative to demand, rising carrying costs, and slightly higher mortgage rates will moderate price growth over the forecast period.

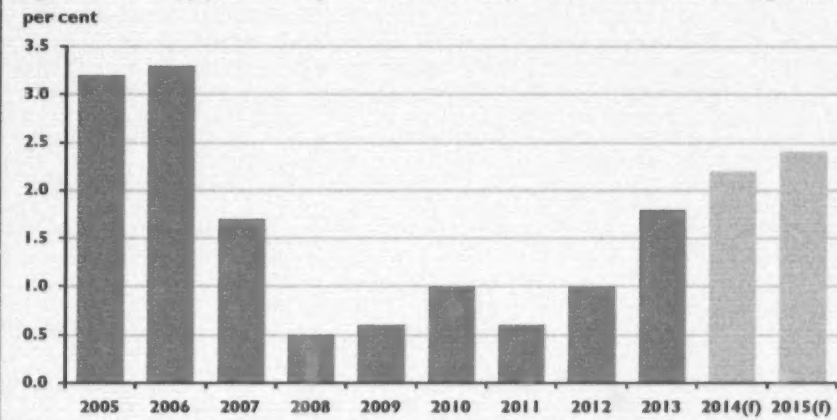
Figure 4



Source: CREA, CMHC Forecast (f)

Figure 5

Higher rental supply in the Regina CMA will lift apartment vacancies through 2015



Source: CMHC, Fall Rental Market Survey, CMHC Forecast (f)

Rental market: Increased Rental Construction Will Lift Vacancies

The average apartment vacancy rate in Regina is projected to rise from 1.8 per cent in October 2013 to 2.2 per cent in 2014 and 2.4 per cent in 2015, as more newly constructed units enter the rental universe and renters move into homeownership. A strong labour market and an expanding population have led to increased demand for purpose-built rental housing in recent years, thus putting downward pressure on vacancies. On the supply side, local builders have responded to the demand by initiating 730 apartments for rental tenure in 2013. This is in addition to the 347 rental apartments that were started in 2012. Upon completion, these units will offer additional supply for renters, which will be further augmented by condominium apartments in the secondary rental market. Overall, these factors will contribute to higher vacancies over the forecast period.

While vacancies are forecast to increase, Regina's expanding population and continued job growth will help ensure that demand for rental units remains strong over the forecast period. This will allow landlords to charge a higher rent for the average apartment. The addition of newly constructed units, which typically rent for more than existing units with similar specifications, will

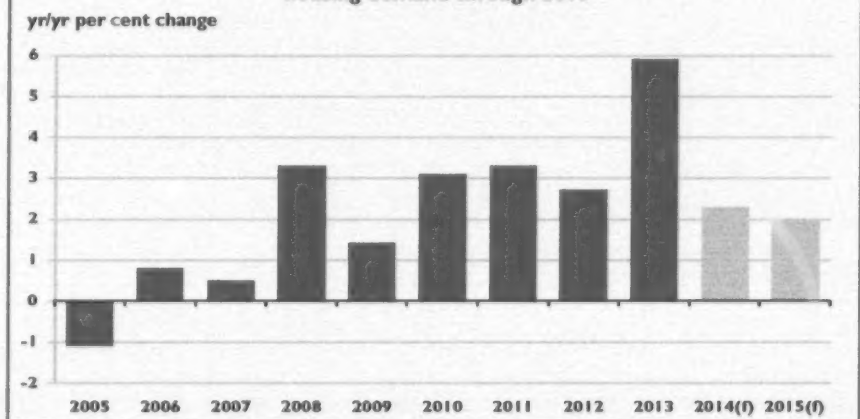
also put upward pressure on average rents. In October 2014, the average monthly rent for a two-bedroom apartment is forecast to increase to \$1,055 from \$1,018 in 2013 and rise further to \$1,085 in 2015.

Economic Trends: Job Growth to Continue Through 2015

After a 5.9 per cent gain in 2013, average employment in Regina is forecast to increase further in 2014 and 2015, but at a slower pace than the previous year. With projected gains of 2.3 per cent in 2014 and 2.0 per cent in 2015, employment will continue to support housing demand in Regina throughout the forecast period. Ongoing capital investments in infrastructure, institutional, and resource expansion projects will continue providing employment opportunities in the region. To the end of March 2014, there were a total of 2,100 positions created in Regina, compared to 7,100 in the same period one year prior. Nearly a quarter of the jobs created were full-time, while the majority were part-time positions.

Figure 6

Continued job growth in the Regina CMA will support housing demand through 2015



Source: Statistics Canada, CMHC Forecast (f)

With the employment expansion lagging additions to the labour force, Regina's unemployment rate averaged 3.9 per cent in March, up from 3.6 per cent in March 2013. Given the tight labour market, average weekly earnings in Regina rose to \$950 in the first quarter of 2014 from \$932 in the same period one year prior. With a labour participation rate of 73 per cent in March, Regina will continue to face labour shortages in some key sectors this year. Under these conditions, we expect the unemployment rate to average 4.1 per cent this year and 4.3 per cent in 2015.

Despite the strong pace of job growth in 2013, net migration to Regina moderated to 5,756 people, down 5.7 per cent from the 6,105 net migrants that arrived in 2012. Improving economies outside of Saskatchewan, particularly in Alberta, reduced the province's magnetic draw for migrants. Moving forward, we expect Regina to attract fewer net migrants at 4,300 and 4,000 people in 2014 and 2015, respectively. Despite the moderation, net migration to Regina over the forecast period is expected to remain a key supporting factor to population growth, new household formation, and housing demand.

Mortgage Rate Outlook

Consistent with the view of Canadian economic forecasters, CMHC expects interest rates to register gradual and modest increases by the latter part of the 2015 forecast horizon. This will lead to increases in mortgage rates. Despite this, mortgage rates will remain low and will continue to support housing market activity over the forecast horizon.

According to CMHC's base case scenario for 2014, the average for the one-year posted mortgage rate is forecast to be within 3.0 per cent to 3.5 per cent, while the average for the five-year posted mortgage rate is anticipated to be within 5.0 per cent to 5.5 per cent. For 2015, the average for the one-year posted mortgage rate is expected to rise and be in the 3.20 per cent to 4.25 per cent range, while the average for the five-year posted mortgage rate is forecast to be within 5.25 per cent to 6.0 per cent.

Trends at a Glance

Key Factors and their Effects on Housing Starts	
Mortgage Rates	Mortgage rates to see gradual and modest increases by the end of 2015, but will remain low by historical standards.
Employment	Continued employment growth will support demand for newly constructed homes moving forward.
Income	Rising average weekly earnings will continue to support housing demand in the new home market.
Population	Slower net migration to Regina in 2014 and 2015 will moderate demand for housing.
Resale Market	Elevated active listings and modest resale price growth will provide increased competition to the new home market.
New Home Inventory	Rising inventory in the new home market will be a limiting factor to a faster pace of housing starts this year and next year.

Forecast Risks

This outlook is subject to some risks, including:

- A stronger than expected U.S. economic expansion or stronger growth in emerging countries could lead to higher global commodity prices, which would positively impact the Saskatchewan economy through stronger exports. This could lead to renewed momentum in housing activity in the region than is currently forecast.
- Higher than expected increases in resale supply and inventory in the new home market could precipitate a much sharper reduction in housing starts than is currently forecast.
- Greater moderation in Regina's employment growth and net migration than is forecast could lead to a sharper reduction in housing starts over the forecast period.

Forecast Summary Regina CMA Spring 2014							
	2011	2012	2013	2014f	% chg	2015f	% chg
New Home Market							
Starts:							
Single-Detached	958	1,289	1,246	1,150	-7.7	1,130	-1.7
Multiples	736	1,804	1,876	1,500	-20.0	1,450	-3.3
Starts - Total	1,694	3,093	3,122	2,650	-15.1	2,580	-2.6
Average Price (\$):							
Single-Detached	457,947	462,023	491,292	500,000	1.8	508,000	1.6
Median Price (\$):							
Single-Detached	417,651	436,474	452,500	462,000	2.1	472,000	2.2
New Housing Price Index (% chg.)	5.0	4.4	2.9	2.7	-	2.2	-
Resale Market							
MLS® Sales	3,899	3,952	3,692	3,730	1.0	3,780	1.3
MLS® New Listings	6,301	6,358	7,142	7,500	5.0	7,630	1.7
MLS® Active Listings	1,257	1,244	1,559	1,750	12.3	1,780	1.7
MLS® Average Price (\$)	277,473	301,145	312,355	321,500	2.9	328,500	2.2
Rental Market							
October Vacancy Rate (%)	0.6	1.0	1.8	2.2	-	2.4	-
Two-bedroom Average Rent (October) (\$)	932	979	1,018	1,055	-	1,085	-
Economic Overview							
Mortgage Rate (1 year) (%)	3.52	3.17	3.08	3.00 - 3.50	-	3.20 - 4.25	-
Mortgage Rate (5 year) (%)	5.37	5.27	5.24	5.00 - 5.50	-	5.25 - 6.00	-
Annual Employment Level	122,800	126,100	133,600	136,673	2.3	139,406	2.0
Employment Growth (%)	3.3	2.7	5.9	2.3	-	2.0	-
Unemployment rate (%)	4.7	4.1	3.7	4.1	-	4.3	-
Net Migration ⁽¹⁾	3,453	6,105	5,756	4,300	-25.3	4,000	-7.0

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)

NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

The forecasts included in this document are based on information available as of April 30, 2014

DEFINITIONS AND METHODOLOGY

New Home Market

Historical home starts numbers are collected through CMHC's monthly Starts and Completions Survey. Building permits are used to determine construction sites and visits confirm construction stages. A start is defined as the beginning of construction on a building, usually when the concrete has been poured for the whole of the structure's footing, or an equivalent stage where a basement will not be part of the structure.

Single-Detached Start:

The start of a building containing only one dwelling unit, which is completely separated on all sides from any other dwelling or structure.

Semi-Detached Start:

The start of each of the dwellings in a building containing two dwellings located side-by-side, adjoining no other structure and separated by a common or party wall extending from ground to roof.

Row (or Townhouse) Start:

Refers to the commencement of construction on a dwelling unit in a row of three or more attached dwellings separated by a common or party wall extending from ground to roof.

Apartment and other Starts:

Refers to the commencement of construction on all dwellings other than those described above, including structures commonly known as stacked townhouses, duplexes, triplexes, double duplexes and row duplexes.

Average and Median Single Detached Home Prices:

Are estimated using CMHC's Market Absorption Survey, which collects home prices at absorption and measures the rate at which units are sold or rented after they are completed. Dwellings are enumerated each month after a structure is completed until full absorption occurs. The term "absorbed" means that a housing unit is no longer on the market as it has been sold or rented.

New Home Price Indexes:

Changes in the New Home Price Indexes are estimated using annual averages of Statistics Canada's monthly values for New Housing Price Indexes (NHPI).

Resale Market

Historical resale market data in the summary tables of the Housing Market Outlook Reports refers to residential transactions through the Multiple Listings Services (MLS®) as reported by The Canadian Real Estate Association (CREA). In Quebec, this data is obtained by the Centris® listing system via the Quebec Federation of Real Estate Boards.

MLS® (Centris® in the province of Quebec) Sales:

Refers to the total number of sales made through the Multiple Listings Services in a particular year.

MLS® (Centris® in the province of Quebec) Average Price:

Refers to the average annual price of residential transactions through the Multiple Listings Services.

Rental Market

Rental Market vacancy rates and two bedroom rents information is from Canada Mortgage and Housing Corporation's (CMHC's) October Rental Market Survey (RMS). Conducted on a sample basis in all urban areas with populations of 10,000 and more, the RMS targets privately initiated structures with at least three rental units, which have been on the market for at least three months. The survey obtains information from owners, managers, or building superintendents through a combination of telephone interviews and site visits.

Vacancy Rate:

The vacancy rate refers to the average vacancy rate of all apartment bedroom types. A unit is considered vacant if, at the time of the survey, it is physically unoccupied and available for immediate rental.

Two Bedroom Rent:

The rent refers to the average of the actual amount tenants pay for two bedroom apartment units. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, hydro, parking, and hot water.

Economic Overview

Labour Force variables include the Annual Employment Level, Employment Growth, Unemployment Rate. Source: Statistics Canada's Labour Force Survey.

Net Migration:

Sum of net interprovincial (between provinces), net intra-provincial (within provinces), net international (immigration less emigration), returning Canadians and temporary (non-permanent) residents as provided to the CANSIM database by Statistics Canada's Demography Division. Sources of inter-provincial and intra-provincial migration data include a comparison of addresses from individual income tax returns for two consecutive years from Canada Revenue Agency (CRA) taxation records. The migration estimates are modelled, with the tax file results weighted to represent the whole population.

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